

OUSF Implementation of State Auditor’s Recommendations
September 2016 Status Report

Item Number	Auditor’s Recommendation and OCC Response	Lead Director(s)	Target Completion Date	Status
AR-1	<p>Recommendation: With the aid of the appropriate telecommunications carriers, PUD should identify each school and library receiving special universal services and formulate an official, complete list of all applicable data.</p> <p>Updated Views of Responsible Officials: The PUD telecom management team has internally reviewed many areas of concern over the last two years and continually strives to improve controls over the funding process. This review included concerns over consistency and transparency. As part of that review process, PUD in July 2013 hired a full time employee to develop a “historical database” to track causes and the associated funded entities. In late 2013 PUD released an RFP, which resulted in contracting with a new Fund Manager who assumed their responsibilities in March 2014. As part of the transition to a new Fund Manager, PUD brought in-house much of the monthly payment process. In conjunction with the new Fund Manager, PUD has developed a second database, “OUSF database”, which along with the “historical database” is a reference to be utilized daily as a part of the ongoing administration of the OUSF. The primary role of the OUSF database is to track all monthly payments to carriers, including circuit information, bandwidth, building counts and various other pertinent information to ensure proper funding. The “historical database” initially served as the framework for the “OUSF database”, but the focus and development efforts are now limited to the “OUSF database”. In April 2014, PUD opened Cause No. PUD 2014-048 and issued data requests to a over 500 public school districts to assist in maintaining both of the referenced databases In April 2015, PUD requested affidavits from all Oklahoma public school districts attesting to various information related to OUSF funding. PUD is now requiring affidavits from all schools attesting to support information associated with the filing of any new application for OUSF funding.</p>	<p>Jim Jones- Lead</p> <p>Kris Prouty, Farzad Khalili, John Givens - Development</p>	<p>February 1, 2014- Framework of database to be completed.</p> <p>April-June 2015- Data input continued as part of monthly payouts and recertification.</p> <p>June 2015- PUD in negotiations with OUSF Manager to take on data input updates of the database.</p>	<p>✓ The OUSF database has been updated and is utilized primarily for the monthly payouts.</p> <p>✓ On February 10, 2016, PUD retained Bridge Enterprise Solutions LLC, to work with PUD to update data and process more improvements to OUSF databases and make recommendations for improving applicable portions of the analysis and audit process in order to minimize risk to OUSF.</p> <p>✓ As of 7/31/16 PUD has assigned a unique identification code to each school and library, for use on the Affidavit submitted with each request for OUSF funding. This will assist in tracking funding by school. Beginning November 2016, the Fund</p>

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				Manager and PUD will begin testing Phase 1 of the enhanced OUSF database.
AR-2	<p>Recommendation: PUD should implement policies and procedures to ensure eligibility is re-determined on a cyclical basis. Staff increases likely would be necessary to ensure that supporting documentation is complete and accurate.</p> <p>Updated Views of Responsible Officials: In the previous year under a new Director, PUD developed a recertification program for schools and libraries and will review previously approved schools and libraries by March 2014. This process will be similar to the telemedicine recertification process and will quantify the number of building credits available to each school. Once the initial recertification is completed, PUD will recertify the entities on a cyclical basis, which should be every third year. PUD management has increased the staffing in the core area and is evaluating the need for additional auditors to assist in this program. In the meantime, additional analysts have been cross-trained to assist in OUSF- related cases as needed.</p> <p>Post Note: Based upon the adoption of 17 O.S. § 139.109.1, annual recertification of telemedicine providers is no longer needed, because of the information that will be contained in any Affidavit filed with an initial request for funding.</p>	Maribeth Snapp-Lead Dennis Eppley	<p>April-June 2015- Analysis completed in the telemedicine process. Carriers and recipients received notification letters.</p> <p>April-June 2015- Data collection for School recertification is underway.</p> <p>February 1, 2016, all eligible healthcare providers were required by the rules to seek recertification as an eligible healthcare entity, to retain funding beyond</p>	<ul style="list-style-type: none"> ✓ Telemedicine recertification decision letters sent in May 2016 to advise healthcare entities of any change in eligibility status or bandwidth to be funded. ✓ Funding to healthcare facilities that failed to file for recertification was suspended effective July 1, 2016 and a new application will be necessary to obtain funding for telemedicine after July 1, 2016. ✓ 2016 - External Auditors conducted an independent review related to Special OUSF. ✓ PUD is now offering regional meetings to meet with beneficiaries to aide in compliance. ✓ Emergency rules were adopted

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				<p>effective August 12, 2016, which revoked the requirement for annual telemedicine recertification.</p> <p>✓ Eligibility is now reviewed as part of monthly payout process and new law limits contracts to 5 years to ensure rebidding occurs and eligibility determinations are made.</p>
AR-3	<p>Recommendation: PUD should continue the current practice of ensuring that complete and accurate supporting documentation is provided for all applications. The use of a standard eligibility “checklist” program is an appropriate addition to this process toward ensuring all elements of documentation are received and reviewed.</p> <p>Updated Views of Responsible Officials: PUD updated the desk routine, which includes a step-by-step checklist, to reflect the appropriate documents needed for eligibility.</p>	<p>Maribeth Snapp- Lead All analysts</p>	<p>June 2015- Multi-tiered review process in place to ensure compliance with audit programs and consistent policy application.</p>	<p>✓ Audit Programs have been completed and are in use by PUD.</p> <p>✓ Template recommendations have been created to ensure consistent review.</p> <p>✓ Multiple tier review structure is in place.</p> <p>✓ Separation of duties in place.</p> <p>✓ Internal Compliance Auditors monitor all procedures for adherence to policy.</p>
AR-4	<p>Recommendation: PUD should develop policies and procedures that provide clear directions for properly documenting, maintaining and managing supporting information for eligibility determinations in a transparent format.</p> <p>Updated Views of Responsible Officials: Over the past year, PUD has updated all desk routines to clarify the procedure for retaining all data related to active cases and</p>	<p>Desk Routines Debbie Prater- Lead</p> <p>Archiving Tish Coats-</p>	<p>Managers to be responsible for ensuring audit folders are complete and properly referenced</p>	<p>✓ Audit programs require specific documentation and retention for managerial reviews.</p> <p>✓ PUD internal</p>

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	<p>how to archive properly the documents in the future. Copies of all documentation will be retained in the central access folder during the active phase of an application. Then, the documentation will be imported into the appropriate imaging system for permanent archiving. Integration into the Iron Data system will greatly improve transparency, as all Commission employees will be able to easily access the archived information.</p>	Lead		<p>compliance auditor is auditing accountability.</p> <ul style="list-style-type: none"> ✓ PUD is using Templates. ✓ Change management process has been implemented to ensure consistency of application and clarity of any approved procedural changes.
AR-5	<p>Recommendation: PUD should develop and implement procedures to ensure all eligibility determinations are reviewed by management prior to making a funding recommendation to the Commission.</p> <p>Updated Views of Responsible Officials: PUD has changed the organization structure within the Telecom area over the past year. Part of the modification was to place a management team that will be responsible for reviewing all recommendations, even if filed by a fellow manager. While management has attempted to review all recommendations prior to filing, the process was not clear and there was not a standardized method to document the review. PUD has since updated the Audit Program to clarify that a management review will be performed on all recommendations. The managerial approval will then be maintained in the cause folder and archived accordingly.</p>	Maribeth Snapp	Audit Programs are updated to include process for managerial approval retention.	<ul style="list-style-type: none"> ✓ Audit Programs are in use by PUD. ✓ Compliance auditor samples audits of all filed causes to ensure compliance. ✓ Developed a Manager's Recommendation Queue that is being used for all recommendations as of May 2014. Same management personnel are reviewing all Recommendations prior to filing, to ensure consistency.

Prospective areas for further study

During the course of the audit, the following issues came to our attention. While further procedures related to these issues were not considered within the scope of this objective, these issues merit future study:

Additional Items	Identified Area	PUD Lead	Target Completion Date	Status
PA-1	Perform an assessment of the “true-up” process (<i>carriers currently can request additional funding related to increased bandwidth after an entity has been determined to be eligible for services by an approved Commission order</i>).	Kris Prouty	March 2014 - Initial program process to be identified July 2014 -True Up process to be completed in house by PUD	<ul style="list-style-type: none"> ✓ This is now a fully integrated process within PUD. ✓ External Auditors have conducted process audit of monthly payouts. ✓ Search functions are fully operational. ✓ PUD implementing new administrative change process to identify and evaluate changes to existing ordered funding. ✓ Fund Manager began routine E-rate compliance testing and is in database development to add additional routine compliance testing ability. ✓ On February 10, 2016, PUD retained Bridge Enterprise Solutions LLC, to work with the OUSF Administrator, Managers and True-up Coordinator to update data and process

				<p>improvements to OUSF databases and make recommendations for improving applicable portions of the analysis and audit process in order to minimize risk to OUSF.</p> <p>✓ Beginning November 2016, the Fund Manager and PUD will begin testing Phase 1 of the enhanced OUSF database. Phase 1 will automate some of the decision making process of the monthly audit process and increase PUD access to data.</p>
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PA-2	<p>Conduct a cost analysis of charges of similar services by telecommunication carriers receiving OUSF funds. The amount charged by telecommunication carriers for services may vary based on the geographic location of the entity (e.g. Internet charges may be higher for a school in the northwestern part of the state than for a school in Oklahoma City). With PUD's limited ability to regulate pricing of broadband services, beginning May 2014, PUD incorporated into the analysis process the review of competitive bids associated with Internet and Wide Area Network services. This process has had a positive impact on the fund by ensuring that funding is limited to the lowest cost reasonable bid.</p>	Jim Jones	Evaluate Statutory Authority and Limitation on this recommendation.	<ul style="list-style-type: none"> ✓ Analysts are using the OUSF Database to benchmark similar services when possible. ✓ In August 2015 PUD hired an additional fte to assist in development of the OUSF database. ✓ The passage of HB 2616 now requires that all OUSF Beneficiaries competitively bid the services that are eligible for OUSF funding. This will eliminate the need to benchmark the cost of services as the statutory requirements for evaluating the Lowest Cost Reasonable Qualifying Bid will identify the most cost effective service for the OUSF Beneficiary.
PA-3	<p>Evaluate the timeliness requirements (17 O.S. § 139.106 D) associated with eligibility determination processing.</p>	Maribeth Snapp	<p>The passage of HB 2616 modified the requirements of 17 O.S. §139.106(D) and adopted 17 O.S. § 139.109.1. These changes added an administrative</p>	<ul style="list-style-type: none"> ✓ Data request response time was modified in the Chapter 5 rulemaking in 2014. ✓ The use of templates for drafting Determinations has

			<p>preapproval process for OUSF Beneficiaries. The very strict timelines within the statute required rule changes to meet the deadlines</p>	<p>reduced the time needed to complete the Administrator's review of a cause.</p> <ul style="list-style-type: none"> ✓ Emergency Chapter 59 rules which became effective August 12, 2016, set forth requirements to be met by the OUSF Beneficiaries and the Eligible Providers, so that the statutory deadlines can be met. ✓ Additional FTE are being hired to facilitate meeting the statutory deadlines for evaluating a request for OUSF funding.
PA-4	Evaluate the process to comply with amended portions of the Oklahoma Lifeline law (17 O.S. § 139.105 A. and E. thru I).	Maribeth Snapp	Evaluate process and recommend potential rule or process changes	<ul style="list-style-type: none"> ✓ Rulemaking signed by the Governor. ✓ With the reduction of Oklahoma Lifeline support to \$.02 per month, many carriers are no longer requesting reimbursement. In the absence of requesting reimbursement from the Oklahoma Lifeline Fund, the carriers are not subject to 17 O.S. §139.105.

